

Western Power Trading Forum Comments on CPM and ROR Issue Paper and Straw Proposal

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February 16, 2018

About the Western Power Trading Forum

The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports uniform rules and transparency in order to facilitate transactions among market participants. The membership of WPTF includes load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities, all of which participate actively in the California market and other such markets in the West and across the country.

Comments on Phase 1

Phase 1 proposes to make Reliability Must Run (RMR) Condition 1 and 2 subject to a must-offer obligation for energy and ancillary services. WPTF notes that while this may be appropriate for some resources, it may unintentionally increase ratepayer costs for other resources. It entirely depends on the use of RMR and resource. Therefore WPTF opposes (and will oppose at FERC) any CAISO filing that in isolation sets up a must-offer obligation for resources without being in the context of broader RMR and CPM reform.

RMR for retiring resources

When the RMR process is used as a lifeline to preserve reliability until a substitute can be put into place, typically plants that receive an RMR designation are old and about to retire. The Dynegy Oakland plant is a good example. It is old, runs on oil, and cannot be dispatched frequently or it would need constant (expensive) repairs. From a ratepayer cost perspective the best use of this plant would be for the CAISO to dispatch it when needed for reliability and at no other time. This would preserve the plant until a replacement could be put in place and avoid costly repairs from more frequent dispatches.

From a market perspective, in a competitive market, this plant would retire or only bid in during expected, consistent high price intervals (concurrent with reliability need). Therefore forcing it to bid-in 24/7 would be an energy market distortion and likely increase costs to rate payers.

RMR for resources that should be Resource Adequacy resources or who accept Condition 1

When the RMR process is inappropriately used as a backstop for Resource Adequacy (RA), this is reflective of a market failure. In this circumstance it would seem appropriate for the resource to have a must-offer obligation identical to the resource adequacy requirement because this

should have been the competitive market outcome.¹ However, the RMR process should not be used as an RA backstop in the first place. That said, if the RMR is being used as a backstop for RA, WPTF understands why other stakeholders would want the resource to have a must-offer obligation.

Additionally, resources that accept a Condition 1 RMR obviously believe they can run frequently enough to make sufficient energy revenues to cover a portion of their fixed costs plus a return. WPTF therefore also believes therefore imposing a must-offer obligation on these resource seems reasonable.

The CAISO cannot currently distinguish whether it would make sense for an RMR resource to have a must-offer obligation and therefore the determination should be part of a holistic review of the RMR and CPM rules.

As WPTF noted above, sometimes a must-offer obligation would make sense and sometimes it might not. The CAISO therefore should not simply impose a must-offer obligation on RMR resources in insolation of broader, much needed reform. Phase 1 and phase 2 must be combined for the CAISO to be able to determine reasonable payments, requirements, and purpose for both RMR and CPM.

Thank you for your consideration of these comments.

¹ There could be a potential for a market distortion if the CAISO calculated marginal cost offer would not equal the competitive market offer of the resource; however, this may be able to be limited through the use of major maintenance adders or the opportunity cost methodology as needed.